

REVISED FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: March 18, 1996

SUBJECT: **REVISED SB 2379 - HB 2364**

On February 5, we issued a fiscal note on this bill which indicated that:

The fiscal impact of this bill is estimated to result in higher capitation rates paid to managed care organizations in the TennCare program to cover additional costs as the result of longer hospital stays. It is assumed that this mandated hospital stay will increase total in-patient days and increase total health care cost. The amount of the increase to TennCare cannot be determined but is estimated to exceed \$1,000,000 in the long run.

The fiscal impact from enactment of this bill is also estimated to be an increase in expenditures to local governments. The amount of such increase cannot be determined but is estimated to exceed \$100,000.

The enactment of this bill is also estimated to result in an increase in cost to the health industry from mandated coverage. Such increase cannot be determined but is estimated to exceed \$1,000,000 annually.

This estimate was based upon information provided by the Bureau of TennCare. Since the original fiscal note was calculated on this bill the Bureau of TennCare established emergency rules to govern TennCare provider decisions about the length of maternity stays. The Department of Commerce and Insurance established similar emergency rules to

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govern other health care insurers. These rules cover all TennCare and health insurance providers in the state.

The emergency rules allow discharge of the mother and child prior to a forty-eight hour period. However, the physician is to make such a decision only after a discussion with the parents, and strict medical criteria are to be met for both mother and child. If there is an early discharge the rule states “a definitive plan for contact within 48-72 hours after discharge has been made. A nurse home visit within 24-48 hours would be considered appropriate follow-up.” [Finance and Administration Rule Chapter 1200-13-12(9)(b)(3)(i)(1)(XII) and Commerce and Insurance Rule Chapter 0780-1-68-.04(d)(3)(1)(xii)] (Emergency rules allow but do not mandate a nurse home visit)

The fiscal impact from enactment of this bill is estimated as follows:

1. higher capitation rates paid to managed care organizations in TennCare to cover additional costs of mandated home visits. The amount of the increase to TennCare cannot be determined but is estimated to exceed \$250,000 in the long run.
2. an increase in expenditures to local governments* from mandated coverage for home visits. The amount of such increase cannot be determined but is estimated to exceed \$100,000.
3. no significant increase for state government health benefits because the state plan is self-insured and not subject to such regulation. However, if the requirements of the bill were implemented voluntarily it is estimated that state expenditures would increase in excess of \$100,000.

4. an increase in cost to the health industry from mandated coverage for home visits. Such increase cannot be determined but is estimated to exceed \$250,000. This impact is included as required by T.C.A. 3-2-111.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*